

TERMS AND CONDITIONS

OF THE LICENSE FOR CONSTRUCTION OF “YAGHDAN” SMALL HYDRO POWER PLANT OF “IZODROME” CLOSED JOINT STOCK COMPANY

1. Definitions

In this license, the main concepts provided in capital letters are defined as follows:

Energy Sector -- a system of economic entities, regardless of the form of ownership, engaged (for provision of public services) in electric and thermal power generation (electric and thermal power combined generation included), electric and thermal power and natural gas transmission (transportation) and distribution, provision of electric energy and natural gas sector system operator service, construction of new generation capacities or their rehabilitation in electric and thermal energy sectors, as well as construction of a transmission (transportation) or distribution networks in electric and thermal energy, and natural gas sectors; as well as import and export of electrical energy and natural gas; as well as the necessary complex of assets essential for the implementation of the above activities and structures providing public services to the energy market.

Commission - the Energy Regulatory Commission of the Republic of Armenia.

Small hydro power plant (SHPP) - a hydro power plant with an installed capacity below 10.000 kW.

License – a document issued by the Commission to a legal entity, which confirms the right of the Licensee to perform certain operations in the Energy Sector, according to the established terms.

Licensee – “Izodrome” Closed Joint Stock Company

Force Majeure - causes or events that are beyond the reasonable control of, and without the fault or negligence of, the Licensee, including, but not limited to: unusually severe actions of the elements such as floods, earthquakes, hurricanes or tornadoes; sabotage; terrorism; war; riots or public disorders; strikes or other labor disputes; to the extent such cause or event prevents or delays performance of any obligation imposed upon the Licensee, despite the Licensee's efforts to avoid, mitigate or eliminate the impact of such forces.

2. Effective Period of the License

2.1 This License shall become effective from 21 February, 2003.

2.2 This License shall remain in effect for 1 year.

3. Conditions of the Licensed Activity

3.1 On and after the effective date, the Licensee shall be given the right to construct the "Yaghdan" SHPP, with an installed capacity of 1000 kW.

3.2 The construction site and technical-economic characteristics are specified in this License and the Business Plan submitted by the Licensee to the Commission.

3.3 Within the scope of its jurisdiction, the Commission assumes the obligation not to authorize any other entity in the Energy Sector to perform any activity, which might result in deterioration of technical-economic characteristics of the Small HPP constructed according to this License.

3.4 The licensed activity should comply with the RoA Legislation, legal acts established by the Commission, other acts and conditions of this License.

3.5 The Licensee cannot become a shareholder of 25% and more shares of another Licensee or merge with any other Licensee without the permission of the Commission.

3.6 The Shareholder possessing 25 % and more of the Charter Capital of the Licensee has no right, without the permission of the Commission, to purchase 25 % and more of shares or stocks of the same or any other Licensee or have share participation, or sell 25 % and more of shares.

3.7 The Licensee must immediately report to the Commission of any violation of the License conditions, or any circumstance that may lead to such violation.

3.8 Within a 10-day period, the Licensee shall be required to inform the Commission of any violation registered during the supervision implemented by competent authorities.

3.9 The Licensee shall carry out the licensed activity in compliance with the work schedule and, following the issuance of the License, within a 25-day period after the end of each quarter shall submit to the Commission a report on the progress of the Small HPP construction works.

3.10 The Licensee shall submit to the Commission reports about the Licensed activity in procedures and forms established by the Commission.

- 3.11 Accounting for the licensed activity and statements of the Licensee shall comply with the accounting standards established by the RoA Legislation and the Commission requirements.
- 3.12 Accounting and statements of the licensed activity shall be maintained separately from the accounting and statements of other activities carried out by the Licensee.
- 3.13 The Licensee shall submit any information relating to the licensed activity, required by the Commission, in compliance with established terms and forms established by the Commission.
- 3.14 Upon the Commission's requirement, the Licensee shall conduct an independent financial audit of the licensed activity and submit the opinion to the Commission.
- 3.15 Before the expiration of the effective period of the License, the Licensee shall be obliged to conduct calibration and commissioning works at the power plant, according to the requirements of the design, equipment manufacturer and technical rules and procedures. At least 10 days prior to the beginning of such works, the Licensee shall be required to notify the Commission. The issues relating to the metering of and payment for the electricity, delivered to the transmission or distribution network in the result of the above calibration and commissioning works, shall be regulated by the corresponding contract, the model form or mandatory conditions of which are established by the Commission, and which is subject to registration with the Commission.
- 3.16 In case of making amendments in the procedure and form of financial reports established by the commission, the Commission shall notify the Licensee within 30 working days prior to the enactment of such modifications.
- 3.17 The Licensee shall be responsible for the accuracy of the reporting and other information submitted to the Commission, in compliance with the procedures established by the RoA Legislation.

4. Supervision of the Licensed Activity

- 4.1 The Commission shall supervise the Licensee's compliance with the provisions of the License, in accordance with the procedures established by the Commission and in cooperation with other authorized state bodies.
- 4.2 In order to ensure compliance with the License provisions, the Commission and its authorized representatives shall have the right of free access to the territory of the Licensee.
- 4.3 In the course of such inspections, the Licensee shall fully cooperate with and render assistance to the Commission or its authorized representatives.

5. Penalties

5.1 In the event of non-compliance, inappropriate compliance or violation of the provisions of the License, the Commission shall be authorized to impose the following penalties, in accordance with Article 42 of the Energy Law:

- a) Notification;
- b) License suspension;
- c) License revocation.

The procedure of enforcement of the above penalties shall be determined by the Commission.

5.2 The License may be terminated at the initiative of the Licensee, after a notice in writing.

5.3 The Licensee shall not be liable under procedure defined by item 5.1 of this License if license violations are caused by Force Majeure circumstances.

6. Amendments to the Terms and Conditions of the License

6.1 In case of changes in the legal or organizational status of the Licensee, the latter shall within 7 days submit an application to the Commission on introducing amendments and supplements to the License or on issuance of a new License.

6.2 In case of changes in the technical-economic characteristics of the SHPP during the construction period, within 7 days the Licensee must apply to the Commission for approval of the corresponding amendments and supplements to the submitted documents.

6.3 In this License, as well as in the programs, schedules and other documents submitted by the Licensee amendments can be introduced at the initiative of both the Commission and the Licensee, in the procedures established by the Commission.

6.4 Within 5 days, the Licensee shall notify the Commission about any changes in its legal address, foundation documents and bank accounts.

7. Financial Guarantees

7.1 The procedures of return of the required financial guarantees submitted to the Commission by the Licensee shall be regulated by the "Procedures of Presentation of Financial Guarantees, Necessary for Receiving an Operation License in the Power Sector" established by the Commission.

8. Other Provisions

8.1 No later than during the 6-th month of the License effective period, the Licensee shall be required to submit to the Commission the design and the budget of "Yaghdan" Small HPP, which passed technical and environmental testing.

- 8.2 In case of necessity to extend the License period, the Licensee shall be obligated to forward an application to the Commission 30 days prior to the expiration of this License, submitting the necessary documents specified in the “Licensing Procedures for Operation in the Power Sector of the Republic of Armenia”.

9. Notification

- 9.1 All official notifications , applications (petitions), claims or other correspondence associated with this License shall be presented by the Licensee in writing and delivered to the Commission via messenger, registered mail or in person.